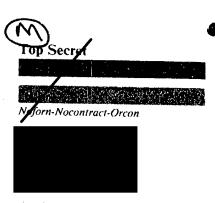
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Abbreviations for compartmented codewords are:

M - MORAY S - SPOKE U - UMBRA

R - RUFF Z - ZARF G - GAMMA

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Top Secret RUFF UMBRA NOFORM-NOCONTRACT-ORCON

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Special Analysis

CHINA:

Zhao Fighting Back

General Secretary Zhao Ziyang's handling of the student demonstrations last week has given him an opportunity to reassert his leadership and use the Sino-Soviet summit and a coming Central Committee plenum to arrest the erosion in his power. Seizing the initiative and gaining Deng Xiaoping's tacit support probably will enable Zhao at least to buy time if he can co-opt at least some key student leaders to prevent large and embarrassing demonstrations during General Secretary Gorbachev's visit next week.

Zhao has already begun to reach out to the students.

many student leaders were informed in advance of the conciliatory tone of Zhao's 4 May speech to the Asian Development Bank meeting and elected to end their boycott of classes primarily to strengthen Zhao's position. Since then Zhao has moved to put political reform back on the agenda by publicizing his support for such a move press report, moreover, says Deng may have apologized privately for his harsh criticism of students, showing support for Zhao's more conciliatory approach.

Deng almost certainly regards himself and his reform policies as the real target of attacks on Zhao and may push his protege into the limelight during the summit to leave no doubt where his support lies. In turn, Zhao could use his meeting with Gorbachev to stress their common interest in pushing political reforms like greater freedom of the press, a key student demand.

Seizing the initiative now is Zhao's best hope of influencing the plenum that is expected later this month or in June. Before the protests, Zhao's opponents almost certainly were planning to use it to attack Zhao's failure to deal with party affairs and ideological matters, and they probably will still try to blame the student unrest on his policies.

Zhao may hope that over the summer he can tap growing dissatisfaction with Premier Li Peng's retrenchment program, particularly among provincial leaders and the huge state enterprise sector, to counter attempts to strip him of power at party meetings later this year. Zhao will need Deng's active support to succeed, but whether the 84-year-old Deng has the stamina to do so is uncertain.

